



UNIVERSITI TEKNOLOGI MARA

**RELATIONSHIP OF AGGREGATE DEMAND AND
SUPPLY TOWARDS CONSUMER PRICE INDEX**

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AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Consumer price index is a measurement of changes in the purchasing power of a currency and the rate of inflation where consumer price index indicates the rising prices and falling prices in goods and services. The consumer price index is very important because it is one of the greatest threats to a healthy economy. Rising in inflation will impact the whole of living cost either in businesses or personal because during inflation everything will relate to currency and will affected the economic condition. Thus, high inflation is not always in favour of the economy as it adversely affects economic performance and purchasing power of the society. Previous studies had examined the factors of macroeconomic which the researcher find out that the econometric analysis supports an interpretation of Turkish inflation in which monetary variables initially money, play a central role in the inflationary process. However, the relationship is still blur and inconclusive. Based on other researcher, they examined demand and supply side determinants of inflation in Pakistan where the result of study indicated that there was long run relationship between GDP, imports, money supply, government revenue, government expenditure and inflation in Pakistan. Therefore, this study will be conducted in perspective of Malaysia, and to verify whether demand and supply factors affected consumer price index in the same way. The purpose of this study is trying fill up the gap of aggregate demand and aggregate supply in Malaysia .

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